

# LYNCHBURG CITY COUNCIL

## Agenda Item Summary

MEETING DATE: **May 27, 2003, Work Session**

AGENDA ITEM NO.: 5

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Water/Sewer Leak Adjustments**

RECOMMENDATION: Authorize staff to prepare amendments to the City Code to allow for fees to be assessed regarding illegal water usage. Also amend the Utility Billing Policy to discontinue adjustments for toilet leaks and offer more stringent guidelines for service line leaks.

SUMMARY: Each year more revenues are lost in the Water and Sewer Funds due to adjustments for service line leaks and toilet leaks. In comparison, other localities in Virginia offer no adjustments for toilet leaks and have stringent guideline for service line leaks. In an effort to bill for all water used and thus increase the revenues to the Water and Sewer Funds, adjustments need to be made. The attached documents provide background and rationale for the proposed changes.

PRIOR ACTION(S): None

FISCAL IMPACT: Increased Revenues for the Water and Sewer Funds based on fewer adjustments given and also increased fees for illegal water usage.

CONTACT(S): Donna Witt, Acting Budget Director, 847-1443 ext. 287  
Lynn Watson, Utility Billing Supervisor, 847-1320 ext. 227

ATTACHMENT(S): Water/Sewer Leak Adjustment History  
Water/Sewer Leak Adjustment Policy Draft  
Recommendations for Revisions to City Code

REVIEWED BY: lkp

**City of Lynchburg**  
**Billings and Collections, Utility Billing**  
**Water/Sewer Leak Adjustment History**

**April 10, 2003**

Billings and Collections, Utility Billing, currently processes Line Leak Adjustments and Toilet Leak Adjustments for water and sewer customers as an internal Financial Department practice. These adjustments are in addition to the billing adjustments processed under the guidelines as established in the Water Code and Sewer Code for City initiated maintenance causing HCF consumption to be billed on a customer's account.

A customer who has received a high consumption reading resulting in a significantly higher monthly bill will generally request a Line Leak Adjustment. Currently the customer is required to present to Utility Billing a copy of a repair bill from a plumbing company or written documentation stating that the service line leak has been replaced or repaired. The Utility Billing staff reviews the meter history on the account to clearly identify that the plumbing repair has resulted in reducing the monthly water consumption to average usage on the account. This review usually requires waiting until the next regular scheduled read date to determine the consumption effect. Utility Billing selects the highest usage recorded for a maximum of two billing cycles in the time frame of the leak repair. Utility Billing calculates average usage on the account by averaging the twelve (12) monthly readings for the current customer prior to the leak or by using the consumption in the month following the repair for customers with no meter history. The formulas below are applied to calculate the service line leak adjustment:

- 1.) High Usage Month HCF – AVG. = Adjustment HCF
- 2.) Adjustment HCF x .50 x Water Rate = Water Adjusted Amount
- 3.) Adjustment HCF x Sewer Rate = Sewer Adjustment Amount
- 4.) Consumption is adjusted to the monthly average for the adjustment month.

A Billing Adjustment is Processed in the Utility Billing System resulting is a credit to Accounts Receivable (Water and/or Sewer) and a debit to the revenue account. The transaction reduces the total balance due on the customer's account.

Customer owned and maintained service line leak adjustments between March 1, 2002 and February 28, 2003 reduced revenues for Water \$17,760 and Sewer \$64,720.

Line leak adjustments account for sixty-eight percent (68%) of total water leak adjustments and seventy-seven percent (77%) of total sewer adjustments related to water leaks.

The adjustments for service line leaks are applied to all customer types once during a twelve-month period.

For March 1, 2002 through February 28, 2003 the breakdown for service line leak adjustments is as follows:

<b><u>CUSTOMER TYPE</u></b>	<b><u>WATER</u></b>	<b><u>PERCENT OF TOTAL</u></b>	<b><u>SEWER</u></b>	<b><u>PERCENT OF TOTAL</u></b>
DOMESTIC	\$9050	35%	\$22,441	27%
INDUSTRIAL	3476	13%	23,758	28%
APARTMENTS	2326	9%	14,058	17%
IRRIGATION	1426	5%	0	0
COMMERCIAL	1360	5%	3757	4%
INSTITUTIONAL	121	.5%	705	1%
MUNICIPAL	0	0	0	0
<b><i>TOTAL SERVICE LINE LEAK ADJS.</i></b>	<b><i>\$17,759</i></b>	<b><i>67.5%</i></b>	<b><i>\$64,720</i></b>	<b><i>76.8%</i></b>

#### **RECOMMENDATIONS:**

- 1. Amend existing Water or Sewer City Code**
- 2. Implement written policy for service line leak adjustments**

Utility Billing processes toilet leak adjustments for all customer types. One (1) toilet leak adjustment is allowed on an account during a twelve-month billing period. Documentation of toilet repair or replacement is presented to Utility Billing at the time of the leak adjustment request. The current customer's monthly HCF consumption is averaged (two months average after leak is repaired or twelve month average from meter history if available). The formula below is used to calculate a toilet leak adjustment:

High HCF – Avg. HCF = Adj. HCF x .50 = HCF Adjustment Amount  
HCF Adj. Amt. x Water Rate = Water Adjustment  
HCF Adj. Amt. x Sewer Rate = Sewer Adjustment  
HCF consumption is adjusted to the average for the adjustment month.

Toilet leak adjustments between March 1, 2002 and February 28, 2003 reduced revenues \$8,071 for Water and \$18,688 for Sewer. Toilet leak adjustments account for thirty-two percent (32%) of total water leak adjustments and twenty-three percent (23%) of total sewer adjustments related to water leaks.

For March 1, 2002 through February 28, 2003 the breakdown for toilet leak adjustments is as follows:

<b><u>CUSTOMER TYPE</u></b>	<b><u>WATER</u></b>	<b><u>PERCENT OF TOTAL</u></b>	<b><u>SEWER</u></b>	<b><u>PERCENT OF TOTAL</u></b>
DOMESTIC	\$5163	20%	\$10735	13%
COMMERCIAL	1500	6%	4206	5%
APARTMENTS	893	3%	2376	3%
INSTITUTIONAL	467	2%	1212	1%
MUNICIPAL	48	1%	159	1%
INDUSTRIAL	0	0	0	0
IRRIGATION	0	0	0	0
<b><i>TOTAL TOILET LEAK ADJS.</i></b>	<b><i>\$8,071</i></b>	<b><i>32%</i></b>	<b><i>\$18,688</i></b>	<b><i>23%</i></b>

#### **RECOMMENDATIONS:**

1. The City of Lynchburg, Billings and Collections, Utility Billing, requests that the practice of processing toilet leak adjustments be terminated beginning June 1, 2003.

## **Department of Finance**

### **Billings and Collections, Utility Billing**

#### **Water/Sewer Leak Adjustment Policy**

**D R A F T   April 29, 2003**

#### **CUSTOMER OWNED SERVICE LINE LEAK ADJUSTMENTS:**

1. **DOMESTIC ACCOUNTS:** Billings and Collections, Utility Billing will calculate a water and or sewer adjustment for a service line leak using the following guidelines:
  - A) The current residential customer requesting leak adjustment consideration must have twelve (12) months of normal consistent consumption history billed on their account.
  - B) The customer must present to Utility Billing a copy of a receipt for plumbing repair parts, written documentation of repair to the leaking service line, or a copy of a plumber bill. The documentation must be presented within sixty (60) days of the repair to the service line. The documentation must reference the service address.
  - C) The account will be allowed one (1) service line leak adjustment in a twelve-month billing period.
  - D) The consumption for the billing period following the service line repair must indicate a significant reduction in water usage from the leak period.
  - E) An adjustment will be calculated on a maximum of two billing periods. If the leak continued for more than two monthly billing periods, use the two highest months of consumption during the leak period.
  - F) Determine the account consumption usage average (Avg. HCF) by adding the actual water consumption for the twelve (12) billing periods prior to the leak and divide the sum by twelve (12).
  - G) Calculate the adjustment using the following formula:  
  
$$\text{High HCF} - \text{Avg. HCF} = \text{Adj. HCF} \times .50 \times \text{Water Rate} = \text{Water Adjustment}$$
$$\text{High HCF} - \text{Avg. HCF} = \text{Adj. HCF} \times \text{Sewer Rate} = \text{Sewer Adjustment}$$

HCF consumption will be adjusted to the average for the adjustment month.
  - H) No adjustments will be considered for irrigation meters.
  - I) No adjustments will be considered for vandalism. Please refer customers to their insurance company.
  - J) Customers are responsible for paying the equivalent of a normal monthly utility bill during the pending leak adjustment period. Cut-off notices may or may not be sent to the customer depending on the amount in arrears. A customer with a pending leak adjustment will be removed from the cut-off list.

- K) Utility Billing will process a service line leak adjustment on the account for the billing period when the leak occurred. The result will be a credit to the Accounts Receivable account (Water and/or Sewer) and a debit to the Revenue account. The transaction reduces the total balance due on the customer's account.
- L) The customer will be notified of the amount adjusted from their account within five (5) days after the meter route consumption information is received in Utility Billing.

2. On accounts with a customer type of Apartment, Commercial, Industrial, and Institutional where HCF is measured by one master meter a service line lead adjustment will be considered using the following guidelines:

- A) The requested adjustment month consumption must exceed the twelve (12) month average consumption by 50% to be considered for a service line leak adjustment.

EX: Avg. HCF = 100 HCF and consumption in the leak period equals 135 HCF,  
 $100 \times 1.5 = 150$  HCF and the account would not receive adjustment consideration.

EX: Avg. HCF = 100 HCF and consumption in the leak period equals 175 HCF,  
 $100 \times 1.5 = 150$  HCF.  $175 \text{ HCF} - 150 \text{ HCF} = 25 \text{ HCF}$  will be used to calculate a leak adjustment using the formula in item H below.

- B) The current customer requesting leak adjustment consideration must have twelve (12) months of normal consistent consumption history billed on their account.
- C) The customer must present to Utility Billing a copy of a receipt for plumbing repair parts, written documentation of repair to the leaking service line, or a copy of a plumber bill. The documentation must be presented within sixty (60) days of the repair to the service line. The documentation must reference the service address.
- D) The account will be allowed one (1) service line leak adjustment in a twelve-month billing period.
- E) The consumption for the billing period following the service line repair must indicate a significant reduction in water usage from the leak period.
- F) An adjustment will be calculated on a maximum of two billing periods. If the leak continued for more than two monthly billing periods, use the two highest months of consumption during the leak period.
- G) Determine the account consumption usage average (Avg. HCF) by adding the actual water consumption for the twelve (12) billing periods prior to the leak period and divide the sum by twelve (12).
- H) Calculate the adjustment using the following formula:  
 $\text{High HCF} - \text{Avg. HCF} = \text{Adj. HCF} \times .50 \times \text{Water Rate} = \text{Water Adjustment}$   
 $\text{High HCF} - \text{Avg. HCF} = \text{Adj. HCF} \times \text{Sewer Rate} = \text{Sewer Adjustment}$   
 HCF consumption will be adjusted to the average for the adjustment month.
- I) No adjustments will be considered for irrigation meters.
- J) No adjustments will be considered for vandalism. Please refer customers to their insurance company.
- K) Customers are responsible for paying the equivalent of a normal monthly utility bill during the pending leak adjustment period. Cut-off notices may or may not be sent to the customer depending on the amount in arrears. A customer with a pending leak adjustment will be removed from the cut-off list.

- L) Utility Billing will process a service line leak adjustment on the account for the billing period when the leak occurred. The result will be a credit to the Accounts Receivable account (Water and/or Sewer) and a debit to the Revenue account. The transaction reduces the total balance due on the customer's account.
- M) The customer will be notified of the amount adjusted from their account within five (5) days after the meter route consumption information is received in Utility Billing.

3. On all types of accounts:

No service line leak adjustment will be allowed on new constructed service lines for existing customers. This type leak most often is due to inferior pipe.

No service line leak adjustments will be allowed for accounts involved in site construction where heavy equipment is in use.

Sewer adjustments will not be allowed on pools filled with water from a service line established for billing as a water and sewer account. Water Hydrant meters are available to customers for seasonal use and a single-family residence with domestic type service is provided for under the Seasonal Sewer Cap Program.

**EFFECTIVE JUNE 1, 2003, UTILITY BILLING WILL NO LONGER PROCESS LEAK ADJUSTMENTS FOR LEAKING TOILETS.**

**City of Lynchburg**  
**Department of Finance**  
**Billings and Collections, Utility Billing**

**May 5, 2003**

**Recommendations for Revisions to City Code: WATER #39**

**Section 39-13:** Amend to add: The occupant of any real estate on which a water meter has been installed and access is obstructed will be charged a fee of \$30.00 for each subsequent visit to the property to gain free access to the water meter.

(Utility Billing issues cut-off list to Utility Meter Readers regularly to turn off water service to customers who fail to pay amounts by established due dates. Customers who frequently are delinquent will park their vehicle over the water meter to prevent the meter reader from turning the water off. In some situations, the meter reader is able to turn the water off; however, on the follow up inactive meter review visit to the property find that the customer has turned the water back on. A vehicle parked over the meter obstructs our access to turn the water off again. The meter is pulled on the re-visit to the property if the meter is found on and the customer has not paid their arrears. When a meter is obstructed a meter reader may be required to re-visit the property two or three times to turn the water off and remove the meter from the box. Historically, charging the customer with a misdemeanor will result in staff spending a day in court and the charge is dismissed by the judge.)

**Section 39.29:** Amend to add: Multi unit facilities will require the owner, landlord, or property management agent to make application to the Utilities customer service office for water to be turned on at a service address.

OR

**Section 39-54.2: Amend** to change the title to Multi Family or Multi Unit Accounts. Amend to add: Where two (2) or more housing units or commercial units are served by one (1) master water meter the billing records will be established in the name of the owner, landlord, or Property Management Agent. Existing billing accounts will be changed to the owner, landlord, or PMA as problems occur and/or upon notification of an occupancy change.

Amend to delete:

Frequent tenant moves in low income rental property results in outstanding uncollectable final bills. State legislation provides that utility companies do not have to reconnect

service for a new tenant creating a profit situation for the owner, landlord, or PMA if there are outstanding utility bills for the same type service for the previous tenant.

In addition, the City of Lynchburg facilitates seven (7) college institutions with large percentages of students living off campus in rental property. Locating out-of-state students after they move from rental property is a difficult collection process. The bills are shared by two (2) or more students and usually if any one of them is contacted, they deny the remaining portion of the charges as their responsibility. Bank accounts are closed when the students move out of Lynchburg and checks are returned to Billings and Collections unpaid.

Rental property owners, landlords, and property management agents have been encouraged by Utility Billing for over a year to collect higher security deposits from tenants to cover unpaid utility bills. Utility Billing has also encouraged owners, landlords, and property management agents to establish the utility billing accounts in their name and collect additional rent based on the number of tenants living at a property.

Utility Billing and Inspections frequently are called into a dispute between property owner, landlord, or agent and their tenant when the owner request that the water be disconnected as a means of evicting a tenant for not paying their rent. The tenant in some cases does not pay their rent because of faulty plumbing causing an extremely high water/sewer bill that is in the tenant's name.

A tenant moving out of rental property will call Utility Billing and request that the service be disconnected. A meter reader turns the water off at the meter and records a final meter reading for the customer's account. Several weeks later a new tenant moves in and the water is on. The new tenant does not call Utility Billing to establish an account assuming that the water is furnished by the owner, landlord, or agent. At a future date our meter reader finds the meter on and notifies the occupant to call Utility Billing to establish an account. Some tenants actually move out and never establish a billable account resulting in high consumption that is not billable.

Strip malls often are served by one master meter. Confusion arises when the billable account is in the name of the tenant who occupies the most space in the strip mall. Smaller tenants with fewer employees often are paying higher than reasonable percentages of the utility bill.

As water and sewer rates continue to rise the number of unpaid final bills increases requiring more delinquent collection activity in Billings and Collections.

**Section 39-31: Amend** to add: A \$100.00 fee will be charged to the occupant or owner of any real estate using an unauthorized water meter connected to the City of Lynchburg water main line for the purpose of obtaining water as provided in Section 39-29 and Section 39-29.1.

**Section 39-13: Amend** to add: Unauthorized use of a hydrant will result in a \$100.00 fee to the owner, developer, contractor, or individual. Utility Billing or Utilities will issue a Miscellaneous Invoice to the customer.